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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

COOPERATION AMONG DEVELOPING COUNTRIES IN THE FIELD OF SHIPPING, PORTS AND MULTIMODAL TRANSPORT

Addendum

Note by the UNCTAD secretariat

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INTRODUCTION

(i) Paragraph C.4 of the work programme of the Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries (Shipping) provides for the Standing Committee to "identify and examine possible activities and policies aimed at enhancing cooperation in the field of shipping, ports and multimodal transport, as a means of stimulating the development of the maritime transport sector in developing countries and countries in transition;".

(ii) In response to this request, the UNCTAD secretariat had prepared document UNCTAD/SDD/SHIP/1, issued on 24 January 1994, reporting on the experience of a number of intergovernmental organizations in cooperative problem-solving in the field of shipping, ports and multimodal transport. The resulting document was available to the Standing Committee for discussion at its second session.

(iii) The present addendum to UNCTAD/SDD/SHIP/1 contains additional replies received by the secretariat to a follow-up letter addressed to intergovernmental organizations of developing countries in all regions, dealing with maritime and related transport either exclusively or in the context of more embracing integration programmes. The secretariat, in its request, particularly referred to the need for information on the experience in implementing cooperative solutions to shipping problems, which could possibly also serve as a guide to other organizations in their search for enhanced effectiveness.

(iv) The document contains the replies received from the Common Market for Eastern and Southern Africa (COMESA) and the Southern Africa Transport and Communications Commission (SATCC) in Africa, as well as the Caribbean Community (CARICOM) and the Cartagena Agreement (Andean Group) in Latin America.

Part One

COOPERATIVE ARRANGEMENTS IN AFRICA

A. Common Market for Eastern and Southern Africa (COMESA)

1. Short history of COMESA

1. The Common Market for Eastern and Southern Africa (COMESA) was launched on 8 December 1994 in Lilongwe, Malawi. The establishment of the COMESA was a transformation of the Preferential Trade Area for Eastern and Southern African States (PTA). The transformation of the PTA into COMESA is a step-by-step approach which will lead our region to an economic community.

2. The Treaty establishing the PTA was signed on 21 December 1981 as the first step towards higher forms of regional economic cooperation and integration. To that end, it was provided in the Treaty that 10 years after the entry into force of the PTA Treaty, measures should be taken to transform PTA into a Common Market and eventually an economic community for Eastern and Southern Africa. The PTA Treaty came into force in September 1982.

3. The following 20 countries comprise the COMESA membership: Angola, Burundi, Comoros, Eritrea, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Swaziland, Sudan, United Republic of Tanzania, Uganda, Zaire, Zambia, Zimbabwe. Botswana, Djibouti, Seychelles, Somalia and South Africa are eligible for COMESA membership.

4. One of the objectives of the COMESA is to promote joint development in all fields of economic activity (Trade and Customs cooperation; Transport and Communications; Industry and Energy; Monetary Affairs and Finance, Agriculture, Economic and Social Development) and the joint adoption of macro-economic policies and programmes to raise the standard of living of its peoples and to fasten closer relations among its member States.

5. With regard to shipping, the objective of the COMESA is to establish a common maritime policy and create/strengthen economically and financially viable shipping companies through regional cooperation.

2. Administrative arrangements

6. The policy and operational issues are discussed and approved through the following main established organs of the COMESA:

(a) The Authority

7. The Authority is the supreme policy organ responsible for the general policy and direction and control of the performance of the executive functions of the COMESA and the achievement of its aims and objectives. The Authority is composed of Heads of States and Government of all member States.

(b) The Council of Ministers

8. The Council of Ministers of the COMESA is the second highest organ of the organization. This organ consists of such Ministers as may be designated by each member State. The role of the Council is to take decisions on operational policy and technical matters of the organization. The Council has to advise or make recommendations to the Authority on policy matters aimed at the efficient and harmonious functioning and development of the COMESA.

(c) The Intergovernmental Committee of Experts

9. The Intergovernmental Committee of Experts consists of such Permanent or Principal Secretaries as may be designated by each member State. The Committee is responsible for the development of programmes and action plans in all the

sectors of cooperation and submits from time to time either on its own initiative or upon the request of the Council reports and recommendations to the Council.

(d) The Technical Committees

10. The Technical Committees are 12 and the Committee on Transport and Communication is one of them. These Technical Committees are responsible for the implementation of the Treaty. To this end the Technical Committee are responsible for the setting up of the implementation Action Plan and monitoring the status of its execution.

(e) The secretariat

11. The secretariat which is headed by the Secretary-General is responsible for advising, servicing and assisting the organs of the COMESA in the performance of their functions.

3. Areas covered by COMESA in the field of shipping, ports and multimodal transport

(a) Shipping

12. The COMESA Treaty provides for promotion of the coordination and harmonization of maritime transport policies and the eventual establishment of a common maritime transport policy in the COMESA region. The Treaty urges the member States to take measures to ratify or accede to international conventions on maritime transport and to establish a harmonious traffic organization system for the optional ease of maritime transport services. Countries are requested to coordinate measures with respect to, and cooperate in the maintenance of the safety of maritime transport services. The member States are requested to encourage their respective national shipping lines to form subregional associations. They are also requested to review their national maritime legislations in accordance with the existing international maritime conventions.

13. In the COMESA region, only five countries (Burundi, Lesotho, Malawi, Rwanda and Zimbabwe) are not participating actively in the shipping industry. The other member countries are coastal countries or have national shipping companies or both. But the shipping market share by COMESA countries is insignificant. It is therefore not surprising that the region is a net importer of shipping services and this is graphically illustrated by the deficit on current accounts on services.

(b) Ports

14. The COMESA Treaty provides for promotion of the development of efficient and profitable sea port services and for promotion of cooperation among port authorities in the management and operations of ports and maritime transport so as to facilitate the efficient movement of traffic between the member States. The Treaty urges the member States to install and maintain efficient cargo handling equipment, cargo storage facilities and general operations and train related manpower.

15. Some COMESA member States have been able to mobilize external financing from donor countries for port rehabilitation and development. Essentially, this work has entailed reconverting existing berths into dry cargo container and break bulk berths. Additionally modern port handling equipment has been installed.

16. To sustain this ongoing investment and improvements in port productivity, COMESA has undertaken to assist port authorities:

- to develop management policies for the maintenance and procurement of cargo handling equipment and other machinery;

- to commercialize their services and to be run as any private enterprises;

- to embark on a continuous human resource development because of rapid changes in maritime technology and practices;

(c) Multimodal transport

17. The COMESA Treaty provides for harmonization and simplification of regulations, goods classification, procedures and documentation required for multimodal inter-States transport. The member States are requested to take measures to ratify or accede to international conventions on multimodal transport and containerization and take such steps as necessary to implement them.

18. In the COMESA region, the past 15 years has seen a tremendous growth in containerized traffic which is the basis for multimodal transport. Containerization has resulted in rapid technological changes in the transport industry which is reflected through massive investments in port infrastructure and equipment and land-based transportation systems. Port investment has entailed the conversion of general cargo berths into container berths, installation of ship to short cranes with increased outreach. The investment in landward transportation includes the introduction of container trains, vehicle container trailers, fixed and mobile cranes at intermodal exchange points and the construction of inland container depots.

19. In order for the multimodal transport operations to succeed in our region, COMESA has undertaken to assist member countries to:

- Ratify the United Nations Convention on Multimodal Transport. This will create a legal and economic environment for the establishment of multimodal transport operations;

- Effect behavioural and administrative reforms which would result in better utilization of existing human, material and financial resources;

- Promote investment that facilitates and enhances multimodal transport operations;

- Introduce EDI (Electronic Data Interchange) which facilitates and speeds up border controls and other official intervention, such as customs clearance of goods and means of transport.

4. Major resolutions and regulations passed

20. At its 3rd Meeting held in Bujumbura, Burundi, the Authority decided that a Multinational Coastal Shipping Company be established.

21. The Authority also decided at its 10th Meeting held in Lusaka, Zambia in January 1992, that the Intergovernmental Standing Committee on Shipping (ISCOS) be reorganized and transformed into a COMESA specialized agency on maritime matters.

22. At its 13th Meeting in 1988, the Council decided that:

- COMESA member States should establish national shippers' councils or equivalent mechanisms in order to bring shippers together so as to enable them to have the negotiating power to obtain adequate and efficient services at the least cost.

- COMESA member States should separate the management of stevedoring (cargo handling) and port administration in order to enhance efficiency.

- COMESA member States should review their national maritime legislations and harmonize them with relevant international conventions.

23. At its 16th Meeting in 1990, the Council decided that a Ministerial Committee for Maritime Transport should be established to coordinate and develop maritime policies and programmes in the COMESA region. The Ministerial Committee

for Maritime Transport would among its other functions, be responsible for the rationalization of the activities of all intergovernmental organizations that deal with maritime transport within the COMESA region.

5. Implementation mechanisms

24. All the resolutions, regulations and decisions made by COMESA policy organs have to be implemented by the member States or such other governmental agencies responsible in the respective member countries. The mechanisms of implementation vary from one member State to another and also with the nature of each resolution.

6. Major experiences of success and failure and reasons thereof

(a) Success

- COMESA has strengthened the political will of the member States to defend their maritime interests through unity and solidarity,

- Notwithstanding financial constraints, it has been possible to mobilize external financing from donor countries for port rehabilitation and development. Port development has either been completed or about to be completed at the port of Assab, Beira, Dar es Salaam, Maputo, Mombasa, Nacala and Port Louis.

- There are several regional governmental and non-governmental organizations dealing with maritime matters in the region. There has been rationalization of activities of these regional organizations and duplication has been avoided.

(b) Weaknesses

25. The widespread economic crisis has had serious repercussions on the public finances of the member States and consequently on their projects for the development of the shipping services in the region.

26. The delay by member States in implementing the Council's decisions has made it difficult to achieve the objectives set in COMESA's shipping programme of action.

27. This situation is aggravated by the scale and persistence of numerous factors, including the threats of deregulation from the World Bank, the International Monetary Fund and GATT through the liberalization of shipping services, leading to limited access to cargo for the region's merchant fleets, which are still too fragile to face free competition.

28. The merchant fleet in the region has remained static due to lack of resources. Efforts made to develop merchant fleets have often been hampered by uncompetitive financing from external sources of COMESA countries. The conditions which are generally proposed are characterized by payment of considerable advance deposits, short grace periods, short repayment deadlines and relatively high interest rates.

29. Bearing in mind the technological and organizational changes in the world's merchant shipping, it is evident that lack of adaptation to new structures will have considerable repercussions on present and future competitiveness of the fleet of COMESA countries.

7. Future perspectives

30. Within this overall framework, the challenges facing COMESA countries will be formidable. There is therefore an urgent need to consider possible global regional strategies which may assist our countries in surmounting the obstacles.

31. With regard to coastal shipping services, COMESA will improve them in establishing a multinational coastal shipping company which will ensure the availability of cargo movements to any destination in the COMESA region. This will increase the intra-COMESA maritime trade. COMESA will also introduce a shipping magazine dedicated to increasing trade in the region by publishing specific trade opportunities, providing lists of shipping schedules and being generally informative on all matters related to maritime trade in the COMESA region.

32. Concerning international shipping of goods originating from or bound for the COMESA region, in the short and medium term what is required for COMESA, rather than ownership of vessels, is commercial control over the services offered. This is particularly relevant for COMESA countries as the financial requirements for the acquisition of large, sophisticated vessels employed in long distance sea trade cause such tonnage to be beyond the reach of most of the COMESA countries.

B. Southern Africa Transport and Communications Commission (SATCC)

1. History

33. The Southern Africa Transport and Communications Commission (SATCC) is a Commission of the Southern African Development Community (SADC). Presently, SADC has 12 members: Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe. SATCC was established in July 1981.

34. According to the Convention that established SATCC, the Commission's responsibilities are:

- to provide coordination in overcoming transport and communications problems in the region;
- to provide economic and efficient means of transport and communications in the region;
- to achieve self-sufficiency in technical manpower, training and development;
- to encourage the efficient utilization of available resources for the improvement of transport and communications in the region.

35. The Protocol that established the Commission was signed by all nine SADC founding member countries, viz. Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe. Namibia joined SADC in 1990, followed by South Africa in August 1994. Mauritius, the twelfth member joined SADC in August 1995.

36. SATCC's supreme body is the Committee of Ministers which comprises of one member from each SADC member State, generally the Minister responsible for transport and communications. The Committee of Ministers is advised by the Coordinating Committee, which is a committee of Permanent/Principal Secretaries or other senior government officials from the same ministries of Transport and Communications. Both the Committee of Ministers and the Coordinating Committee are chaired by Mozambique which is the coordinator of transport and communications issues within SADC. The SATCC Technical Unit (SATCC-TU) is based in Maputo, Mozambique.

2. Ports and shipping

37. SATCC operates through subsectoral working groups. These are made up of principal actors in each subsector: operators, relevant policy makers and experts who meet at least once a year to deliberate on regional cooperation/integration issues. There is a working group for each of the seven subsectors of transport and communications that SATCC is coordinating.

38. The Working Group for ports and shipping brings together port administrations, national shipping companies, representatives of freight forwarders' associations and government officials responsible for maritime transport issues. The Working Group meets once a year in different venues within the region. Recommendations of the Working Group are presented first to SATCC's Coordinating Committee for scrutiny and later (upon acceptance) to the Committee of Ministers.

39. During the first 10 years of its existence, SATCC's programmes laid emphasis on infrastructure development in order to provide adequate transport capacity in the region. As part of this programme, several port projects were undertaken mainly in Mozambique and Tanzania.

40. While further development of port infrastructure and other physical facilities is continuing, emphasis is now being placed on efficiency improvements: this includes operational coordination and integration of the region's transport systems, restructuring and operational management improvement, also development of the human resource.

41. Consequently, major issues currently being discussed by the Working Group of Port Administration, Shipping, Clearing and Forwarding including the following:

- development of a shipping policy for the SADC region
- maritime safety
- improvement of transport corridor operations including multimodal transport operations
- development of protocols in the area of ports and shipping. (When signed these protocols will form part of the 1992 SADC Treaty).

In this regard a preliminary phase of a maritime safety study for the region has just been completed. It covered five coastal member States: Angola, Namibia, Mozambique, South Africa and the United Republic of Tanzania; and also one land-locked member State, Malawi. Further, a shipping policy study covering the whole region is due to commence shortly.

3. Programme implementation

42. According to established practice within SADC, implementation of agreed regional programmes is usually undertaken by individual member countries. Follow up on such programmes is however, done through the subsectoral working groups meetings.

43. Although many regional programmes have been implemented by member States, under existing arrangements there are no penalties for non-compliance of decisions taken by the various SADC organs. It is expected that this shortcoming will be addressed during the development of protocols for the transport and communications sectors currently underway.

44. The new SADC protocol(s) for the transport and communications sectors is(are) expected to be signed in 1996. It is expected that the new protocol will spell out in detail areas of cooperation for each subsector of the transport and communications sectors being coordinated by SATCC: it will also spell out, among other things, the obligations and/or responsibilities of the parties that will be party to the protocol.

4. Future perspective

45. The development of SADC's protocol for the transport and communications sectors has been a consultative process. Consultations with stakeholders in ports and shipping, rail transport, roads and road transport among others, were undertaken between February 1995 and July 1995. The identified protocol areas for each subsector are now being elaborated ready for negotiations and final endorsement. The signed protocol will be annexed to the 1992 SADC Treaty.

46. For the ports and shipping subsector, the following, among other things, have been identified as protocol issues:

- a regional maritime policy
- a regional maritime body
- establishment of corridor groups (to monitor the movement of goods along the various transport corridors)
- setting up a regional bond guarantee scheme
- restructuring and commercialization of State-owned enterprises
- environmental protection, pollution control and maritime safety
- search and rescue
- treatment of international conventions.

The above issues will form SATCC's future activities in the area of ports and shipping.

Part Two

COOPERATIVE ARRANGEMENTS IN LATIN AMERICA

A. The Caribbean Community (CARICOM)

1. Brief history - Institutional and administrative arrangements

47. The Caribbean Community and Common Market - CARICOM - was established by the Treaty of Chaguaramas on 4 July 1973, by Barbados, Guyana, Jamaica and Trinidad and Tobago. Subsequently, eight other Caribbean countries, namely, Antigua and Barbuda, Belize, Dominica, Grenada, Montserrat, St. Kitts and Nevis, Saint Lucia, and St. Vincent and the Grenadines (the LDCs) joined CARICOM. The Bahamas became the thirteenth member State of the Community on 4 July 1983 and Suriname became the fourteenth member State on 29 June 1985.

48. In July 1991, the British Virgin Islands and the Turks and Caicos Islands were accorded Associated Membership of CARICOM. Twelve other States from Latin America and the Caribbean enjoy Observer status in various Institutions of the Community and CARICOM Ministerial bodies.

49. During its 21 years of operation, the Community has concentrated on the promotion of the integration of the economies of the member States, in coordinating the foreign policies of the independent member States and in functional cooperation, especially in relation to various areas of social and human endeavour.

50. The Caribbean Community has three objectives:

(a) economic cooperation through the Caribbean Common Market;

(b) coordination of foreign policy among the independent member States; and

(c) common services and cooperation in functional matters such as health, education, transportation and culture, communications and industrial relations.

Institutions of the Community

51. The principal organs of the Community are:

(a) the Conference of Heads of Government, commonly referred to as The Conference;

(b) the Common Market Council, commonly referred to as The Council.

52. The Conference consists of Heads of Government of all member States of the Caribbean Community. Guyana is represented by its Executive President and in the case of Montserrat, its Chief Minister. Its primary responsibility is to determine the policy of the Community and is the final authority of the conclusion of treaties on behalf of the Community and for entering into relationships between the Community and international organizations and third States. The Conference is also responsible for making the financial arrangements to meet the expense of the Community but has delegated this function to the Common Market Council. Decisions of the Conference are generally taken unanimously.

53. The Council consists of one Minister of Government designated by each member State. It is responsible for the efficient operation and development of the Common Market including the settlement of problems arising out of its functions.

54. The decision to restructure the Organs and Institutions of the Community was made at the Special Meeting of CARICOM Heads of Government in October 1992. The proposed new institutional structure will comprise:

(a) the Conference of Heads of Government;

(b) the Bureau of the Conference;

(c) the Community Council of Ministers - which will replace the Common Market Council.

The responsibility of the Bureau is to initiate proposals, update consensus, mobilize and secure implementation of CARICOM decisions in an expeditious and informed manner. The Bureau commenced operations in December 1992.

55. There are several Institutions of the Caribbean Community responsible for formulating policies and performing functions in relation to cooperation in services such as education, health, labour matters and foreign policy. Each member State is represented on each Institution by a member of Government of the member State. The Institutions are designated the Conference of Ministers responsible for Health; Standing Committee of Ministers responsible for the other 12 functional cooperation areas of Education; Science and Technology; Foreign Affairs; Agriculture; Energy, Mines and Natural Resources; Industry; Transportation; Finance; Labour; Tourism; Legal Affairs; and Information.

56. Under the Treaty, the following bodies are Associate Institutions of the Community: Caribbean Development Bank; Caribbean Examinations Council; Caribbean Meteorological Organisation; Council of Legal Education; University of Guyana; and the University of the West Indies.

57. The CARICOM Secretariat is the main administrative organ of the Community. It is organized into three offices comprising the Office of the Secretary-General, the Deputy Secretary-General and the General Counsel and has three Directorates each headed by an Assistant Secretary-General with responsibility for the areas of Foreign and Community Relations; Regional Trade and Economic Integration; and Human and Social Development.

58. The principal functions of the secretariat are:

(a) to service meetings of the Community and of its Institutions or Committees as may from time to time be determined by the Conference;

(b) to take appropriate follow-up action on decisions made at such meetings;

(c) to initiate, arrange and carry out studies on questions of economic and functional cooperation relating to the Region as a whole;

(d) to provide services to member States at their request in respect of matters relating to the achievement of the objectives of the Community;

(e) to undertake any other duties which may be assigned to it by the Conference or any of the Institutions of the Community.

The decision-making process

59. The role of the secretariat is to allow for the greatest possible accommodations of national interests in policy formulation and provide forward movement in the regional development process in the specific areas targeted by the Governments or proposed by the secretariat.

60. The long-term objectives of the Community are defined by the Treaty of Chaguaramas. Heads of Government periodically sharpen their focus or define in more concrete terms the objectives to be pursued. The Conference of Heads of Government which makes the decisions relative to the direction of the Community and its efforts, is supported in this decision-making process by the Institutions of the Community represented by the Common Market Council and the various Ministerial Standing Committees (Transport, Energy, Labour, Industry, Education, Health, Science and Technology and the Environment).

61. Back-stopping the Ministerial negotiations are the regional officials of the member State who prior to each meeting, examine issues, help identify policy options and seek to identify common ground among member States. The secretariat is responsible for facilitating this process by organizing the preparation of the technical work.

2. Areas covered in shipping, ports and multimodal transport

62. A regional shipping council had been established as early as 1967 after the dissolution of the West Indies Federation, and entrusted with the function and provisions formerly exercised by the Federal Government, in relation to the West Indies Shipping Corporation (WISCO). Apart from its original powers and functions, as the overall authority in the matter of the administration and operation of WISCO, the Regional Shipping Council (RSC) gradually gave increasing attention to other ocean shipping problems, regional and intra-regional, of the members of the CARIFTA and its successes the Caribbean Community.

63. The RSC was replaced as an institution of the Community by the Standing Committee of Ministers responsible for Transportation (SCMT) following a decision of the Conference of Heads of Government in 1974.

64. The SCMT has overall responsibility for all matters in regional transport policy, and for the establishment and supervision of other regional agencies, entrusted with the operation, control or development of regional air and sea transport.

65. Decisions taken by the SCMT are referred to the Head of Government for ratification. These then become the mandates of the secretariat.

Shipping

66. The paucity of contiguous borders renders CARICOM States heavily dependent on maritime transport for the conduct of intra- and extra-regional trade. It is estimated that 90 per cent of goods traded intra-regionally are moved by sea. As a means of securing trade as well as developing the maritime sector, States had sought, individually and collectively, to establish shipping lines.

67. National lines (such as Jamaican Merchant Marine, the Shipping Corporation of Trinidad and Tobago and GUYBULK of Guyana) were public sector enterprises owned by the larger States to service their extra-regional trades. The regionally-owned line, WISCO, provided that vital intra-regional link as well as connections to Miami, which is the major US port as far as CARICOM trade is concerned. The operation of these enterprises proved to be unsuccessful, both financially and in terms of the quality of service needed by the trade of the region.

68. In this scenario, foreign shipping lines continued to dominate trade particularly with extra-regional partners. This situation resulted in inadequate services to all States, as some routes were over supplied and experienced low freight rates as the lines competed for cargoes in both directions. Simultaneously, the smaller States experienced a paucity of shipping services, except for those of the small vessels fleet, and high freight rates.

69. The ability of national lines to provide services at viable levels was affected by fluctuation in freight rates. The relatively low cargo volume of the smaller States also militated against the provision of viable shipping services.

70. WISCO, the regionally-owned shipping line was Government-subsidized and mandated to serve all CARICOM ports despite the financial viability of such calls, in order to afford some measure of security to the trade of the region. This impacted negatively on the financial performance of the Corporation.

71. Against the background of the above inadequacies, the SCMT in 1987, decided to establish a Committee of Maritime Technicians to investigate viable options

to satisfy the demands of the Region for shipping services. This resulted in the execution of several studies aimed at developing a Caribbean Shipping Service, central to which would have been a restructured and later privatized WISCO, as well as the upgrading of the small vessels which service intra-regional trade, in the Southern Caribbean.

72. In the face of its continued losses and the inability of member States to finance these, particularly at that junction, the SCMT decided in 1992 to wind up the Corporation.

Small vessel fleet

73. There exists a small fleet of small vessels which are privately owned and operated by nationals of the member States of the Community. These vessels provide intra-regional services to CARICOM States as well as the French and Dutch Antilles. The fleet also provides the transhipment link to those smaller States which are unable to access regular shipping services to extra-regional destinations. The services provided by these vessels are however inadequate due to the age and physical profile of the vessels relative to trade needs as well as scheduling and cargo handling practices among others.

74. With the closure of WISCO the importance of these vessels to the trade security of the region has increased. This prompted the SCMT in 1992, following its decision to wind up WISCO, to mandate the secretariat to develop a project for the upgrading of the Small Vessel Fleet to meet the needs of intra-regional trade. This area is now actively being pursued by the secretariat. It is anticipated that funding will be secured in 1996 to conduct a feasibility study to design an intra-regional shipping network, detailing vessel size, technology and itinerary and a strategy for the establishment of the network.

Ports

75. The majority of ports are Government-owned but are operated autonomously by port authority. Most ports are equipped to receive container vessels. Ro-ro facilities are more dominant among the smaller States.

76. Historically, CARICOM ports have been regarded as high-cost low-efficiency entities. This is partly a result of the low cargo volumes handled by the ports relative to the overhead costs of investments in modern port facilities much of which had been undertaken in the last decade or so. Some degree of over-investment in port facilities exists in the region, as a result of competition among States to vie for transhipment traffic. There also exist ports which are underdeveloped.

77. Recognising the problems of efficiency and cost affecting the provision of shipping services to States, active cooperation has been fostered between the port authorities of member States which has resulted in training exchanges and attachment between ports, active involvement in TRAINMAR and the formation of a Port Management Association in the Eastern Caribbean (PMAEC). These efforts are aimed at providing training to all levels of port staff (Operational Management) in order to improve efficiency.

78. More recently, as a further step to improve efficiency and reduce port costs, ports have, while maintaining the Government ownership of facilities, sought to privatize various aspects of their operations. At the regional level the SCMT has also targeted the training of port personnel, and the rationalization of port development as vital areas in improving the ability of the region to secure adequate shipping services at competitive freight rates. These areas are currently a part of the Work Programme of the Secretariat in Transportation.

Other areas of activity

79. Efforts to develop a Regional Maritime Transport system, in addition to focusing on shipping services and improved port facilities and operation, have

been extensive with regards to the development of modern maritime regulatory framework to ensure safe and efficient shipping and trade, and the prevention of marine pollution.

80. At the regional level, projects have been implemented to increase the awareness of member States to the need to have in place effective maritime administrations supported by the necessary modern legislation, supporting regulatory administrative and technical capabilities to develop and regulate their maritime sectors.

81. As a result, an increased number of States are now parties to the major International Maritime Conventions on Maritime Safety and Pollution Prevention, have enacted or are in the process of enacting modern merchant shipping regulations and are actively engaged in the training of maritime administrative and safety personnel to effect enforcement activities.

82. Essential to the progress achieved above, has been the development of a Regional Maritime Code - Draft Shipping Legislation - through the assistance of IMO, for use by member States as a basis in the drafting of their national legislation; and the provision of a Regional Maritime Safety Advisor to work with individual States as well as coordinate regional efforts. In 1993, CARICOM States along with other Island States of the Caribbean (approximately 23 countries) agreed to cooperate to establish a system of Port State Control (PSC) in the Caribbean. A Memorandum of Agreement has been finalized following two preparatory meetings and is to signed at the Third Preparatory Meeting in Barbados in February 1996.

83. Draft Cargo Shipping Regulations have also been developed for application to the Small Vessel Fleet, the majority of which, by virtue of size (less than 500 grt) are not regulated under the International Maritime Conventions. The training of the first batch of ship inspectors to enforce these regulations concluded in November 1995.

3. Future perspectives

84. To facilitate the goal of economic and social integration of the Community and in the absence of direct ownership of shipping services, efforts of the region are now focussed at putting in place the various mechanisms to ensure the availability of appropriate and competitively priced shipping services.

85. The Regional Agenda for the future has been developed to address the following:

(a) the development of incentives to encourage the provision of shipping services by regional private sector interests as well as other providers;

(b) assist shippers in attracting shipping services through cargo consolidation efforts. The feasibility of establishing a Caribbean Non-Vessel Owning Common Carrier (NVOCC) has been recommended by a recent study and is to be further developed and promoted;

(c) improvement of the negotiating capacity of the region relative to shipping lines in order to secure advantageous freight rates. One element seen as vital to this process and that of the NVOCC is the establishment of a transportation database to provide the necessary data for analysis and decision-making. A project in this regard has been initiated and should commence in 1996;

(d) upgrading of port facilities among the smaller States particularly with respect to cargo-handling and temperature-controlled facilities necessary for the export of non-traditional agricultural cargo;

(e) improvement of the intra-regional shipping services provided by the small vessels including the training of owners and crew in the commercial, cargo handling and safety areas;

(f) continued training of port sea-going and maritime administrative personnel. The region has two maritime training institutions. The Jamaica Maritime Institute (JMI) and the Caribbean Fisheries Development Training Institute (CFTDI) which cater for the training of seafarers, the former up to the Officer level. The Regional TRAINMAR Centre and its sub-centres are utilized for the provision of commercial and operational training in the shipping and port fields. A regional training committee has been formed out of the PSC activities comprising the two regional institutions to develop an overall training strategy to meet the future needs of the region. The high level of collaboration which exists between TRAINMAR and JMI is expected to provide for an integrated and cost-effective strategy;

(g) improving the capacity of member States to enforce PSC measures. This will include:

(i) the development of model shipping regulations to support the primary legislation. Activities in this regard commenced in 1995;

(ii) the provision of maritime safety advisor to the region to support the States PSC activities and coordinate other regional maritime activities. The region lost this service in 1994 due to funding difficulties; and

(iii) the expansion of the corp of PSC Inspectors through the delivery of the necessary training.

86. With the increased dependence of Caribbean States on tourism as a major economic activity and the designation of the Caribbean as a "Special Area" under MARPOL Annex V, the areas of ports and allied facilities including waste disposal arrangements for cruise and cargo vessels has become important. In this context, CARICOM States are participating in the current IMO/World Bank Wider Caribbean Initiative on Ship-generated Waste (WCISW) project which is geared at devising the necessary legislative and operational framework to enable States to activate the Special Area status.

B. Cartagena Agreement (Andean Group)

1. Institutional features

87. The Cartagena Agreement, better known as the Andean Group, was established in 1969. It is a cluster of developing countries in South America, comprising Bolivia, Colombia, Ecuador, Peru and Venezuela. Its various activities are managed by a communal institutional structure, the principal bodies being the following:

(a) The Commission, which is the guiding body for the process of subregional integration, comprising ministers of industry and/or foreign trade; its actions take the form of Decisions binding on member countries. Commission members are plenipotentiary representatives accountable at the national level for the supranational nature of the guidelines they set.

(b) The Board, which is the technical body responsible for coordinating the process of subregional integration and overseeing compliance with the Cartagena Agreement and with Decisions. It also has the authority to submit draft decisions to the Commission for consideration and to issue Resolutions, which are also binding. The Board is divided into departments and technical units. Dealing with transport- and maritime transport-related matters is the responsibility of the Department of Physical Integration (DIF).

(c) The Andean Court of Justice, which is the legal body responsible for maintaining transparency in the application of the communal standards governing intrasubregional trade. Its rulings are binding on the national courts of member countries.

88. The Andean Presidential Council, which lays down policy guidelines for the process of subregional integration, and the Andean Council (of foreign ministers) which is responsible for overseeing and evaluating implementation of the arrangements agreed on at presidential meetings, were also established in 1989. The political side of the Andean Group is concentrated in the activities of the Andean Parliament which is made up of delegations from the five national congresses.

89. There are two further communal institutions which have a significant impact on the strengthening of subregional integration: the Andean Development Corporation (CAF) and the Latin American Reserve Fund. Both financial bodies have since 1990 been channelling an increasing percentage of their resources towards national initiatives and/or initiatives of common interest designed to encourage and facilitate production in and foreign trade by member countries. Principal areas of investment include the construction, improvement and consolidation of physical infrastructure (roads, airports and ports).

2. Specific areas of concern

90. In the late 1980s the Andean Presidents adopted a Strategic Plan. This, a technically and politically consistent document, established a doctrinal basis and guidelines that pointed the Andean Group towards consolidation of the subregional economic space and improvement of its links with the world beyond. Each of these broad objectives was accompanied by a set of specific targets. One of the most important was the definition and execution of projects to improve, expand and modernize the capacity of physical transport and communications infrastructure and the services provided, in order to permit swift and secure links between producers and consumers both within the subregion and elsewhere around the world.

91. In 1990, the Fourth Andean Presidential Council decided to improve member countries' competitiveness in international trade. It called for a review of the situation in maritime transport in order to do away as quickly as possible with legal and economic obstacles to commercial competition. At that time, national shipping companies enjoyed the protectionist benefits of "reserved cargo", which prevented foreign firms from offering or providing services.

92. As a result of that review, a number of provisions were adopted which profoundly altered the way maritime transport operated in the Andean Group.

Maritime transport

93. In 1990, the Board fostered the establishment of the Andean Water Transport Authorities Committee (CAATA). It was considered necessary to have a sectoral advisory body where national maritime transport officials could discuss common problems and define the lines of action best suited to meeting requirements in this complex area. With the creation of the Committee, water transport ceased to be a matter of strictly national interest and became one of communal concern. One of its first agreements, and the most far-reaching, was to propose the abolition of reserved cargo. The public sector realized that, in order to advance towards its strategic objectives, it had to escape from the prevailing restrictive situation and make room for commercial competition in shipping.

94. It is appropriate to mention that the Committee has so far held 15 meetings, basing its proposals on the recommendations of an ad hoc working group comprising national experts and advisers from regional and international bodies concerned with the subject, including representatives of the subregional shipowners' and users' (importers and exporters) associations. It operates in a climate of growing cooperation between the public and private sectors.

95. Responding to a presidential directive and on the recommendation of the Committee, the Commission, acting on a proposal by the Board, in 1991 passed decision 288, "Freedom of access to cargoes originating in and bound, by sea, for the subregion", which ordered a progressive liberalization of maritime transport services, abolishing reserved cargo in no more than two years. Thus

goods originating in and/or bound for the subregion can now be freely transported by sea within the subregion by vessels owned, chartered or operated by shipping companies of member countries or third countries. Only Ecuador has reserved for itself the right to transport its hydrocarbons.

96. This common policy, approved as member countries opened up commercially, had an immediate impact in two different senses. First, operators offering efficient, competitive services came onto the market; the diversification of supply in turn permitted an increase in the number of trade routes; fleets were reduced substantially; the use of containers rose; foreign traders' operations became more fluid and reliable; and merchants with ties to shipping companies began to speak of the need to promote multimodal transport. Maritime and port authorities underwent a substantial alternation in status *vis-à-vis* the economics of shipping, changing from bulwarks of protection into market regulators.

97. Second, shipping companies in the subregion, including Bolivia, suffered severe economic effects as shipping, vital to external trade, was opened up to competition. The sudden disappearance of their cargo oligopoly spotlighted their financial, managerial, operative and technological limitations and difficulties in competing on an equal footing with the foreign shipping companies that were beginning to make successful inroads into their former captive markets. With few exceptions, national shipping companies had survived for years with little effort and had not troubled to look ahead. They were businesses suffering from structural obsolescence (disinvestment, high operating costs, shallow-draught vessels designed for bulk cargoes, overstaffing etc.). The competitive costs and efficiency shown by outside operators ended up forcing a large number of Andean shipping companies off the market, and they had to concentrate on the proportion of freight reserved for national cabotage.

98. The economic impact suffered by Andean shipping companies made necessary a communal standard constructed around three criteria: the abolition of cargo reservation, with the exception of national cabotage, which remained reserved; regulation of access to freight and application of the principle of reciprocity; and a definition of broad policy guidelines for the strengthening and development of the Andean Group's merchant fleets.

99. The authorities realized that they must respond to the situation that had arisen since the market in maritime transport services in the subregion was liberalized. They affirmed their commitment to open trading but argued that movements in the market must be regulated more effectively. They indicated that they had soon encountered difficulties with foreign companies using unfair trading practices; some countries and communities of countries were not offering reciprocal conditions to their shipowners, restricting their access to cargoes; and some of the largest companies in member countries, to reduce their financial, tax and labour costs, were abandoning national registries and registering their ships under flags of convenience (chiefly in Panama), which had begun to reduce the Andean Group's tonnage markedly by 1995, it was less than 20 per cent of what it had been in 1991.

100. In order to deal with these problems, the Commission, early in 1992, passed Decision 314, "Free access to cargo shipped by sea and policies for the development of the merchant marine in the Andean Group", which embodied suggestions put forward by CAATA. This was a communal standard intended to address a situation that was affecting both the maritime transport market and national shipping companies; it sought to better the national companies' economic position and prevent their flight to other, more flexible, less burdensome registries. To attain these objectives, it required the passage of a regulation on application of the principle of reciprocity and the shaping of a policy to promote shipping.

101. Over the past three years the Board and the Committee - and more recently, since its establishment in 1994, Andean Shipowners' Association - have been exploring a variety of ways to comply efficiently with the undertakings given in decision 314. Their efforts have given rise to several documents:

(1) Draft Decision "Regulations on the common application of the principle of reciprocity".

This draft has been approved by CAATA and the Andean Shipowners' Association, and the Board will shortly bring it before the Commission for adoption as a Decision. Its central aim is that, when third countries or communities of countries impose any kind of limit or apply restrictions, exclusions or discriminatory treatment to national shipping companies as regards access to cargo, member countries should reciprocate with total or partial restrictions on shipping companies belonging to those countries or communities, even if they have links to national shipping companies. The principle of reciprocity will be applied throughout the community.

(2) Draft Decision "Establishment of the Andean Ship Registry".

This draft has been approved by CAATA and the Andean Shipowners' Association. Besides dealing with shipping, however, it also contains regulatory provisions on preferential fiscal and tax treatment and less stringent requirements governing the composition of ships' crews. These have not been endorsed by other national authorities, since member countries have eliminated exemptions and direct subsidies for economic activities, particularly in services, from their economic policies. This difficulty is keeping the possibility of establishing an Andean shipping registry in abeyance, in the short term. Nevertheless, the necessary institutional steps are continuing to be taken.

(3) Draft Decision "Use of financial leasing to encourage Andean merchant shipping companies".

This draft is being evaluated by the CAATA Ad Hoc Working Group, advised on this occasion by experts on maritime finance. The Committee is awaiting word from the advisers before embarking on a thorough discussion of the proposal, which has important implications for the subregional financial system.

(4) Draft Decision "Regulations on tariff registration".

CAATA believes there is a need for a communal standard enabling it to regulate changes in the tariffs charged by shipping companies offering and providing services within the Andean Group more effectively. The principal aim of this project is that any non-conference general cargo shipping company, national or foreign, engaged in traffic that includes national ports in member countries must register with the competent authorities its schedule of tariffs, charges and other components that might affect the end cost of its services. The object is to avoid unfair competition. Consideration is also being given to a set of conditions that would give operators sufficient flexibility to change their tariffs within periods that will not affect their provision of services.

(5) Draft Decision "Adoption of the agreement on control of shipping by the State with jurisdiction over a port".

The Andean Group authorities recognize the need for effective action to prevent operations by ships flying any flag which do not comply with maritime safety standards, including standards designed to prevent marine pollution. They have therefore seen fit to adopt the Latin American Agreement on control of shipping by the State with jurisdiction over a port, better known as the Viña del Mar Agreement (Chile, 1992). This regional agreement is in turn based on the agreements on the subject reached at the International Maritime Organization (IMO).

102. This list of draft communal standards (Decisions) shows the various aspects on which work is being done at the subregional level. The Board, in conjunction with CAATA and the Andean Shipowners' Association and with support from recognized subregional and Latin American experts, has produced these drafts in

response to the problems affecting shipping companies in the subregion. The authorities are aware of the vital need to recover member countries' cargo capacity and ensure commercial transparency. Businessmen are taking steps to update their management, operations and technology so as to compete on better terms in the demanding market for maritime transport services. These efforts will produce results quickly since they are motivated by the desire to strengthen and improve maritime transport in the Andean Group, this being essential to the future of its external trade which is growing apace.

Port system

103. The geography of the subregion gives it direct access to the Atlantic and Pacific oceans. On the Caribbean, Colombia and Venezuela have eight ports of significance. On the Pacific, Colombia, Ecuador and Peru have nine ports used for international trade. Bolivia, being land-locked, has no maritime ports.

104. Since the late 1980s a debate has grown up in the subregion over the restructuring and privatization of ports. Almost simultaneously, member countries began taking steps nationally and internationally to launch studies that would show them how to move swiftly to deal with the organizational, administrative and operative inefficiency afflicting almost all the Andean Group's main ports. The maritime and port authorities were convinced that port management and operations should be handed over to the private sector in order to make them work efficiently, and that that would benefit external trade.

105. So far, progress in this direction has been rather unsatisfactory. The Andean States have begun once again to question whether it is appropriate to privatize their ports, since their few experiments with putting administration into private hands have not produced the qualitative changes hoped for. Member countries therefore have a motive for arriving as quickly as possible at a common policy on port modernization that will take up and articulate, within an overall framework, the positive aspects of the various national-level initiatives that have been put into effect with favourable results.

106. Accordingly, the Board has organized several "port colloquia" (October 1993 and March 1994) attended by maritime and port authorities from the Andean Group, representatives of the Latin American Integration Association (ALADI), the United Nations Economic Commission for Latin America and the Caribbean, the Organization of American States and the UNCTAD Maritime Management Training Project (TRAINMAR), and experts from the European Union. These have gone deeply into the port situation in the subregion and identified a series of economic and technological options that are being used as the basis for the common port policy now being drafted, and have been used as a reference for activities of each member country. There is an interesting variety of modernization projections in progress.

107. Communal treatment of ports is one of the Andean Group's basic priorities over the next few years. The New Strategic Plan, adopted by the Seventh Andean Presidential Council in August 1995, gives specific guidelines on the strengthening of maritime transport and the modernization of ports in the subregion. The two topics will be worked on together and in coordination, since they are vital pieces of the distribution chain and basic components of multimodal transport.

Multimodal transport

108. The Andean Group is perhaps the first subregional integration scheme in Latin American to have a communal standard referring specifically to multimodal transport. In early 1993, the Commission adopted Decision 331. It was considered that new transport procedures implied the intensive use of containers and were progressively taking over from the old, single-mode goods distribution systems. It was therefore appropriate to add to the community's framework of standards on transport by adopting a Decision on the matter.

109. Later, in the light of developments in international standards, these standards were revised to bring them in line with new regulatory provisions (INCOTERMS 90, the Hamburg Rules, the UNCTAD-ICC rules etc.). With advice from UNCTAD and ECLAC, several draft decisions were prepared to make the necessary amendments to Decision 331, extending its scope and making it more precise. One was "Regulations on the registration of international multimodal transport operators" (MTO), registration to be the responsibility of the competent national body in each member country; member countries were to take such steps as were necessary to enable a registry to be set up and to operate. Swift approval of the proposal would provide the authorities with the criteria they needed to register businesses in the subregion which had shown an interest in engaging in multimodal transport. Over the past few years there has been a significant rise in the numbers of national operators seeking to break into this new field, which is still just developing in the Andean Group.

110. None the less, growing attention is being paid to the advantages of multimodal transport. Associations of shipping companies and user (importers and exporters) associations in member countries are holding more and more specialized meetings with the objective of studying more closely the subregional regulatory framework, economic opportunities, operating requirements and international conditions governing their activities. This shows that steps are being taken within the Andean Group to put multimodal transport progressively into practice.

111. One important detail to note is that Decision 331 has served as a template for similar initiatives now being taken in other economic integration schemes on the continent, particularly in Central America (MERCOCENTRO) and the Caribbean islands (CARICOM). An effort has also been made at the South American level to ensure that the common standards applicable in the Andean Group and in Mercosur are compatible so that there can shortly be a standard of regional scope. The countries of ASEAN (south-east Asia) have been observing with interest developments in regulatory standards on multimodal transport within the subregion.

3. Prospects

112. The foregoing indicates that the Andean Group is making systematic efforts to help strengthen, diversify and develop transport services, in particular maritime transport, the port system and multimodal transport. For this purpose, communal bodies, in particular the Commission and the Board, are tending to pursue the following objectives:

- Establishment of communal guidelines to bring about substantial improvements in institutional arrangements and in the management and regulatory capacity of the national authorities concerned;

- Support for the activities of the Andean Water Transport Authorities Committee (CAATA), the subregional body where economic and legal options for responding effectively to problems in maritime transport and ports are systematically dealt with;

- Collaboration with the Andean Shipowners' Association (AAA) and promotion of the establishment of an Andean Port Authorities Association (AAAP), with a view to their active involvement in the process of identifying and formulating communal projects to overcome their difficulties;

- Adoption of Decisions to supplement the regulatory framework so that the market for maritime transport in the subregion can be more efficiently regulated, and the growth of shipping companies in member countries can be encouraged and promoted;

- Studies to ascertain the organizational, administrative and operational conditions obtaining at the principal ports in the subregion;

- Application to specialized international bodies (UNCTAD-TRAINMAR), for advisory services so that the staff responsible for port management can be given technical and managerial training;

- Procurement from subregional, regional and international financial bodies of funds to be used in modernizing port infrastructure and establishing conditions conductive to efficient multimodal transport; and

- Participation, as a subregional bloc, in all international bodies discussing maritime transport problems and defining economic and political options for overcoming them.

Assessment of the work done by CAATA since April 1994 and suggested priority topics for the subregion in the maritime transport sector

113. In assessing the work done by the Andean Water Transport Authorities Committee (CAATA) since April 1994, in particular during the period while the Committee met under the Chairmanship of the authority which I have the honour to represent, it is appropriate to begin by refreshing our memory with a little of the Committee's history.

114. It was established at the fourth meeting of Ministers of Transport Communications and Public Works of States parties to the Cartagena Agreement, in the city of Quito in November 1988, to facilitate the development of water transport among countries in the sub-region.

115. Later, as a result of the policy of reactivating the Cartagena Agreement and a presidential directive in the form of the act of La Paz, the Andean countries undertook to adopt a policy of abolishing reserved cargo in intrasubregional maritime transport and *vis-à-vis* third parties in a drive to make the subregion's external trade more competitive. This made it necessary to extend CAATA's terms of reference, which was done in Decision 314, chapter III, of the Commission of the Cartagena agreement: more specifically in articles 18 and 19, which gave the Committee clear functions and powers that have kept it effective to this day.

116. To summarize after this review, the Andean Water Transport Authorities Committee has worked intensively, at 5 regular meetings and 10 extraordinary meetings, producing 59 resolutions putting forward recommendations to the Board of the Cartagena Agreement and to maritime authorities themselves, and draft regulations and decisions.

117. Of all this hard work, Decisions 288, 314 and 331, the last drafted in collaboration with affiliated committees, are the most relevant, they have been adopted and published in the Official Gazette of the Cartagena Agreement, thereby establishing new regulations to improve water transport, including multimodal transport, in the subregion.

118. Given CAATA's excellent output and the few final results specified in the Decisions mentioned above, it is clearly not good follow-up to administrative action in the higher levels of the organization that is lacking. Thus it is procedures that need to be revised.

119. As is well known, over the past three years, thanks to easier access to freight originating in and bound for the subregion by sea called for in Decision 314, the following benefits have been secured within the subregion:

(a) More frequent dockings and a better choice of services on offer in subregional ports;

(b) A reduction in the level of charters to transport commodities to and from Andean Group countries, leading to better access to consumer markets for our countries' traditional export.

120. At the same time, national shipping companies have been weakened virtually to the point of disappearance because the compensatory measures set forth in Chapter II, article 9, of Decision 314 were not applied at the same time.

121. Given this fact, the maritime authorities in CAATA have duly supported all efforts before their respective Governments to secure the promulgation of such measures - so far without success.

122. The urgent need to promote the subregion's shipping companies has made necessary a new strategy which consists in taking up all the resolutions dealing with such promotion in common standards or Decisions by the Commission of the Cartagena Agreement, which are binding on States under supranational law.

123. The following draft Decisions were adopted as priority topics at the fifth ordinary meeting in Guayaquil and the eighth and ninth extraordinary meetings, in Bogota and Caraballeda respectively, : the Andean Ship Registry; the Regulations on the application of the principle of reciprocity; and the Regulations on leasing, with an option to buy, vessels to be used by shipping companies in the subregion. These draft decisions have since been revised by the Committee's Working Group, resulting, at the latest CAATA meeting on 15 August 1995, in a Resolution which distinguishes between two broad areas of action within what is referred to as "access to cargo": the first, concerned with the common application of the principle of reciprocity, which already exists as a draft Decision, and the second, governing trade competition in maritime transport, under which heading the following must also be considered:

(a) Regulations on the registration of tariffs by national shipping companies and the shipping countries of third countries or communities of countries offering international shipping services;

(b) The imposition of restrictions on commercial shipowners' organizations when they impose similar measures on national shipping companies;

(c) Regulations on access to cargo for ships that do not comply with international rules on maritime safety and protection of the marine environment;

(d) Consideration of international transport of goods by sea as an export service.

124. Further meetings will have to be held shortly to consider and finalize such draft decisions as prove necessary.

125. But CAATA also has a duty to help attain the ultimate objectives set at the highest level, integrating the subregion with other economic blocs in Latin America and the world as a whole; these have been defined as follows:

(a) Consolidating the Andean economic space in a climate of competition which will allow sufficient resources to be allocated to entrepreneurial development and increasing the productive capacity of subregional economic agents;

(b) Adapting the communal policy of the Andean Group to its international setting and increasing the Group's contribution to Latin American unity through joint action as a subregional bloc to establish a competitive and consistent international presence.

126. To help reach these objectives the external trade of the subregion as a bloc must be boosted; as maritime transport is a decisive factor in exchanges of goods and services, its major components - shipping companies and ports - have been given special attention in the definition of an overall Andean policy on water transport.

127. The situation prevailing since March 1992 has without question brought about a wider range of choice in subregional maritime transport, but it is also clear that national shipping companies are being displaced by foreign ones with

better infrastructure, more advanced technology, subsidies and legislative advantages.

128. To counter this, we believe it is necessary to lay down the following guidelines before embarking on the appropriate policies as regards shipping and ports:

(a) Strengthen shipping companies so that they can meet the demands of present-day maritime transport in the face of extensive competition from international shipping companies;

(b) Modernize ports handling foreign trade for countries in the subregion, making them efficient, safe and competitive.

129. We in the Andean Water Transport Authorities Committee thus have a historic responsibility to give effect to the policies on shipping and ports that have already been laid down, and to do so within two years. But, before that, after six years of institutional existence, thought must be given to certain organizational changes within the Committee to make it more dynamic and adaptable and ensure better follow-up on the administrative action taken within the Committee; we have therefore decided that the "Bases for agreement and Rules of Procedure of CAATA" adopted in CAATA Resolution No. II-12, which governs our activities, must be revised.

130. In the strengthening of shipping companies, action will be taken to convert the draft decision on community application of the principle of reciprocity into a proper Decision as soon as possible: this in the belief that adoption of this principle will not hinder member countries' foreign trade, affect the fluidity of bilateral and multilateral relations between each member country and third countries or communities of countries, or restrict the supply and demand of maritime transport services, but will help to reactivate and strengthen commercial activity by national shipping companies and provide national authorities with communal resources with which to apply the principle of reciprocity called for in Decision 314 vigorously, efficiently and community-wide.

131. As another urgent matter, a decision regulating commercial competition in maritime transport, as called for in CAATA Resolution X-EX-58, must be discussed and drafted in the Working Group.

132. This must be without prejudice to the consideration by the Working Group, as soon as possible, of the draft decisions on the leasing, with an option to buy, of vessels for use by subregional shipping companies and the Andean Shipping Register.

133. These drafts are at the moment regarded as the only possible means of achieving the expansion and strengthening of shipping companies in subregional countries. They must therefore be pushed through all the bodies required to get them adopted, including the Andean Presidential Council.

134. As regards port policy, there must be a move to hasten implementation of Decision 314, article 13, so as to optimize port services and, thus, reduce current tariffs, making for a more flexible supply of services and competitive operations.

135. We also consider it necessary to adopt a communal standard governing the consolidation and break-up of cargoes, given the impact that these operations have on member countries' foreign trade; this has been adopted as a Resolution (CAATA Resolution V-51) but no effective response has yet been received.

136. As regards multimodal transport, the Board of the Cartagena Agreement and the water transport authorities must put Decision 331 into effect and promote the establishment of appropriate legislation and the necessary infrastructure in their respective countries.

137. To obtain maximum benefit from these activities, we shall be keen to promote lasting contacts between the water transport authorities in the subregion and our counterparts in Latin America and the rest of the world. We must not forget that by the end of the century we shall have to be thinking about internationalizing relations: while the internal, subregional aspect is important, we cannot then escape being influenced by the potential of the Pacific rim and its impact on countries on this side of the continent; we will therefore also seek to orient our activities towards expanding relations between regional groups, i.e. towards globalization.

138. To conclude, considering that the external trade of a country or group of countries is affected by different and varying factors, we think it is difficult to formulate rigid or deterministic policies to help water transport adapt in a timely and effective manner to the present-day demands of highly dynamic foreign trade. Such formulation must be regarded as a cyclic or recurrent process, dependent for planning, execution and supervision on the efforts of all involved, and as a preponderant factor in the process of subregional integration. There is a risk that our efforts will come to nought if we do not also receive determined backing from the Board of the Cartagena Agreement, and we take this opportunity to voice our gratitude for the support we have so far had and to ask for this support to be strengthened.

139. Hence we must all continue to seek new ways of strengthening the shipping and port sector in our countries and successfully taking up the challenge of the future.